

DEPARTMENT OF BUSINESS OVERSIGHT*Ensuring a Fair and Secure Financial Services Marketplace for all Californians***JAN LYNN OWEN****Commissioner of Business Oversight****MEDIA RELEASE****For Immediate Release**

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Contact:

Mark Leyes (916) 322-7180

**Department of Business Oversight
Reaches Settlement with National
Residential Mortgage Lender**

SACRAMENTO (February 14, 2014) – The California Department of Business Oversight reached a settlement with Prospect Mortgage, LLC, (“Prospect”) including refunds to more than 12 thousand Californians totaling approximately \$1.33 million. After discovering multiple violations of the California Residential Mortgage Lending Act, the Department began an enforcement action seeking penalties and suspension of Prospect’s residential mortgage lender license and finance lender license.

A regulatory examination by the Department disclosed a high number of per diem interest violations. Prospect was directed to complete an extensive self-audit covering the period of August 10, 2006, through June 28, 2013. The audit revealed systemic problems in its per diem interest policies and procedures and Prospect agreed to settle the Department’s ensuing enforcement action. Prospect agreed to refund 12,580 California customers approximately \$1.33 million, pay administrative fees of approximately \$1.8 million, and make significant changes to its policies and procedures to comport with California law.

“The Department of Business Oversight enforces laws to protect all Californians from unfair business practices that hurt consumers and the mortgage lending industry,” said Commissioner Jan Lynn Owen. “This settlement resolves past violations and notices all licensed residential mortgage lenders and servicers that full compliance with the law is non-negotiable.”

A residential mortgage lender under California law is permitted, with limited exceptions, to charge customers only one day of interest prior to the disbursement of loan proceeds. Customers of Prospect Mortgage, LLC, who believe that they have been overcharged per diem interest, should provide the Department of Business Oversight with a copy of their final closing statement and current contact information. The information should be sent to the Department of Business Oversight, Attention: Enforcement Unit, 1515 K Street, Suite 200, Sacramento, CA 95814.

The settlement agreement between the Department and Prospect Mortgage, LLC may be viewed at the Department website at <http://www.dbo.ca.gov/ENF/List/P/ProspectMortgage.asp>.

On July 1, 2013, the Department of Corporations and the Department of Financial Institutions merged to become the Department of Business Oversight. California consumers should contact the Department of Business Oversight to check on the licensing and standing of the companies, investments or other financial services they are considering at www.dbo.ca.gov or by calling 1-866-275-2677.